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DE RUEHHK #1943 2930522
ZNR UUUUU ZZ
R 200522Z OCT 09
FM AMCONSUL HONG KONG
TO RUOWCY/COGARD AMR NEW YORK NY
RULSJGA/COMDT COGARDWASHINGTON DC
RUEHC/SECSTATE WASHDC 8768
INFO RUEHOO/CHINA POSTS COLLECTIVE
RUEHGP/AMEMBASSY SINGAPORE 4165

UNCLAS HONG KONG 001943

SIPDIS

STATE FOR EAP/CM
COGARD AMR FOR BEVERLY HOWARD

E.O. 12958: N/A

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SUBJECT: HONG KONG SHIP OWNERS RECEIVE "AMVER" AWARDS;
DESCRIBE INDUSTRY DIFFICULTIES

REF: SECSTATE 50181

¶1. (U) Per reftel request, on October 13, Consulate General E/P Chief presented the U.S. Coast Guard's Automated Mutual-Assistance Vessel Rescue (AMVER) awards to participating Hong Kong-based ship companies. The event, which was covered by shipping trade press, publicly recognized AMVER participating companies for advancing worldwide maritime safety and for participating in vessel search and rescue operations on the high seas. Hosted by the Hong Kong Ship Owners Association, the event drew over 60 members from Hong Kong's maritime industry.

¶2. (SBU) The awards were presented against a backdrop of continuing operational and financial difficulties for Hong Kong's maritime industry. Container traffic through Hong Kong fell more than 20 percent in September YOY. Maritime leaders here criticize the Hong Kong Government's lack of support for the industry which, combined with the logistics sector, employs 18 percent of Hong Kong's population. Industry press have been reporting that increasing numbers of companies are leaving Hong Kong for Singapore.

¶3. (SBU) Ship owners, managers, financiers, lawyers, builders, insurers, and suppliers all described to us the difficulties faced by Hong Kong's maritime industry as a result of the drop in regional exports to the U.S. and Europe. Ship owners complain that banks' overly conservative credit conditions continue to pose difficulties for their shipping operations. The lack of liquidity remains the industry's biggest challenge, forcing many to sell their vessels at a loss or to "send them to the scrap yard" to cut operating expenses. In some cases, banks have gone after ships of loan-delinquent owners. Currently, six Russian cargo ships are being held in Hong Kong waters on behalf of DVB Bank which is owed a total of \$20 million by Vladivostok-based ST Shipmanagement. Lloyd's List East Asia Editor Keith Wallis told us that, without a recovery in cargo exports to the West, such seizures are likely to be the tip of the iceberg.

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